

PUDO INC.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTERLY HIGHLIGHTS

FOR THE THREE MONTH PERIOD ENDED

MAY 31, 2024 and 2023

(EXPRESSED IN CANADIAN DOLLARS)

Prepared by:

PUDO Inc.

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Interim Management's Discussion & Analysis - Quarterly Highlights
Three Month Period Ended May 31, 2024
Discussion dated: July 30, 2024

Introduction

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended May 31, 2024 (“Q1 FY 2025”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended May 31, 2024, the audited annual consolidated financial statements of the Company for the years ended February 29, 2024 and February 28, 2023, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 29, 2024. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at www.pudopoint.com and under the Company's SEDAR issuer profile at www.sedar.com, or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

Description of Business

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (“PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up and drop-off (“PUDO”) e-commerce parcels.

The Company's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

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Cautionary Note Regarding Forward-Looking Information

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements related to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated June 20, 2024.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Highlights

The Company continued to focus on optimizing the PUDO Network to enhance alignment with partner requirements in Canada and the United States ("U.S.") while leveraging the current services and Network to develop new partner relationships that further enhanced revenue opportunities. IT integration and enhancements remain a key focus as the Company looks to increase efficiencies, add new partners, and grow revenue. The Company is positioned well to add new partners for residential redirects, growing parcel volumes for direct to PUDOpoint deliveries, enlarging the returns program, and add new revenue streams in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for returns and to consumers who are looking for an alternative to home delivery.

Below are a few Company highlights during Q1 FY 2025:

- 📍 Announced a partnership with Staples Canada to place PUDOpoints in all of Staples Canada's 300+ locations across Canada.
- 📍 Returns revenue increased by 33.8% as compared to the prior year, Q1 FY 2024.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's existing and new service offerings with current and new partners. This included the ongoing enhancements to the PUDO Label returns service ("PUDO Label") that enables retailers' customers to print a return label for previously order products to drop off the return package at a PUDOpoint Counter location for an efficient and cost-effective consolidated pickup and returns process for the retailers.

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- 📍 The Issuer's auditor, Clearhouse LLP, audited the consolidated financial statements for the fiscal year ended February 29, 2024, and the Company filed the audited statements along with the Management Discussion and Analysis on June 20, 2024, as required to the CSE and to SEDAR websites.

Capital Resources

During Q1 FY2025, there were nil capital transactions completed.

Operations

PUDOpoint Counters Network

The Company continued to actively recruit and register new PUDOpoint Counter locations in Canada and the United States. PUDO activates registered PUDOpoint Counter locations to support partner requirements for services in strategic areas.

Parcel Volume Analysis

Parcel volume and other factors within the e-commerce ecosystem affect PUDO's goals and performance during its growth phase.

While the Company continued to strategically manage the growth and development of the PUDOpoint Network throughout Q1 FY 2025, overall parcel volumes increased by 3.7% compared to the three month period ended May 31, 2023 ("Q1 FY 2024"). During this quarter, Q1 FY 2025, partner shipments increased by 3.5% over the same quarter in the previous year. During the same three month period, member shipment volumes increased 5.7% relative to the year earlier quarter as a result of the Canada-USA border re-opening for all travellers. In Q1 FY 2025, partner shipments represented 91.0% of the Company's total volumes, relatively the same as the same quarter in the prior fiscal year.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- 📍 **Returns:** During Q1 FY 2025 returns volume increased by 57.2% as compared to the prior year, Q1 FY 2024. The increase is a result of PUDO's partners increasing the integration of their own clients' return requirements for use of the PUDO Returns Label service as the value of this service offering provided by PUDO reduces cost of return for their clients. In sequential quarters, returns parcel volume in Q1 FY 2025 as compared to period ended February 29, 2024 ("Q4 FY 2024") increased by 19.2%. This increase appears to be a result of retailer sales in Q4 FY 2024 that were subsequently returned by shoppers in Q1 FY 2025.
- 📍 **Failed First Attempts ("FFA"):** During Q1 FY 2025, total FFA parcel volumes decreased by 19.8% relative to Q1 FY 2024. In sequential quarters, parcel volumes in Q1 FY 2025 compared to Q4 FY 2024 decreased by 6.8%. This decrease appears to be a result of a reduction in online purchases following the holiday season.
- 📍 **Third Party Logistics ("3PL"):** During Q1 FY 2025, 3PL parcel volume decreased by 32.0% over the prior year, Q1 FY 2024. The decrease is a result of PUDO partners decreasing their volume of parcel shipments that utilized PUDO's preferred shipping rates. In sequential quarters, 3PL parcel volume in Q1 FY 2025 as compared to Q4 FY 2024 decreased by 1.9%. This decrease appears to be result of decreased requirement to ship to remote locations.
- 📍 **For Pickup ("FPU"):** During Q1 FY 2025 FPU parcel volume remained relatively the same as compared to the prior year, Q1 FY 2024. In sequential quarters, FPU parcel volume in Q1 FY 2025 as compared to period ended Q4 FY 2024 decreased by 8.8%. This decrease is a result of a large

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e-commerce retailer changing their business model, reducing the requirement for use of the PUDOpoint Counter Network for courier pickup of their customer drop offs.

- 📍 **Border Member:** During Q1 FY 2025 total member parcel volumes increased by 5.7% relative to Q1 FY 2024. In sequential quarters, parcel volumes in Q1 FY 2025 compared to Q4 FY 2024 increased by 3.7%. These increases may be a result of the re-opening of Canada – USA border that had temporarily closed as a result of COVID-19.
- 📍 **Pickup Counters:** Over 700 PUDOpoint Counter locations are available as “Hub Counters” in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q1 FY 2025 total Pickup Counter parcel volumes decreased by 5.1% relative to Q1 FY 2024. In sequential quarters, Hub Counter parcel volumes in Q1 FY 2025 as compared to Q4 FY 2024 decreased by 9.3%.
- 📍 **Direct to PUDO (“D2P”):** During Q1 FY 2025 total D2P parcel volumes increased by 37.9% relative to Q1 FY 2024. This increase appears to be a result of retailers' customers becoming aware that PUDOpoint Counter locations are available during the check out process on PUDO retail partner e-commerce websites, providing a safe secure delivery for their online orders. In sequential quarters, parcel volumes in Q1 FY 2025 compared to Q4 FY 2024 decreased by 19.5%, mainly due to positive impact of seasonal holiday shopping during Q4 FY 2024.

As PUDO continues to expand and maintain its services, a greater number of stakeholder partners and consumer members will minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

Outlook

PUDO continues to expand the availability and volume of its PUDO Label return services. By increasing the number of retailers using the solution and partnering with additional SAAS and 3PL providers, the PUDO network is becoming an important part of the e-commerce returns solution.

With the success of the PUDO Label returns service in Canada, the Company is working with a current partner to expand the service in the United States by leveraging the available USA PUDOpoint Network currently being used for customers that want to ship directly to a PUDOpoint from their retailer's checkout process providing a safe and secure delivery location for online ecommerce purchases.

It is expected that the weaker volumes experienced in the Third Party Logistics and Failed First Attempt service lines may continue for the foreseeable future. However, the addition of new Returns customers and the expansion of the PUDOpoint Network in the United States are expected to offset that decline.

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Financial Condition and Performance

Financial Performance

A summary of selected financial information for the three month period ended May 31, 2024 and 2023 is included below:

PUDO Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended May 31,	
	2024	2023
Revenue	\$ 856,384	\$ 782,963
Cost of sales	(563,125)	(474,111)
Gross profit	293,259	308,852
Administrative expenses	(353,788)	(427,623)
Share-based compensation*	(46,819)	(90,358)
Net loss	(107,348)	(209,129)
Other comprehensive loss – translation of foreign subsidiary	(1,550)	-
Net loss and comprehensive loss for the period	(108,898)	(209,129)
Loss per share basic and diluted	\$ (0.00)	\$ (0.01)

*non-cash expense related to the amortization of performance options for management and directors.

During the three month period ended May 31, 2024, revenue was \$856,384 (May 31, 2023 - \$782,963), representing an increase of \$73,421 or 9.4% over the same period last year as a result of an increase in the PUDO returns label service offset by decrease in the FFA and 3PL shipments.

Gross profit for the three month period ended May 31, 2024, was \$293,259 (May 31, 2023 - 308,852) representing a decrease of \$15,593 or -5.0% over the same period last year. This is a result of a decline in customer drop off packages for FFA and 3PL shipments and increased costs associated with the PUDO returns service.

The Company reported a net loss of \$107,348 (\$0.00 basic and diluted loss per share), a decrease of \$101,782 compared with a net loss of \$209,129 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. The majority of this decreased loss was attributable to a increase in revenue along with decreased administrative expenses as a result of the decreased salary and travel expenses along with a decrease in non-cash expense related to share-based compensation.

Financial Condition

As at May 31, 2024, the Company had total assets of \$779,681 (February 29, 2024 - \$696,219). This increase was primarily attributed to the related revenue associated with operations.

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As at May 31, 2024, the Company had a working capital deficit of \$208,554 (February 29, 2024 – \$146,580), had not yet achieved profitable operations, had received cash in operating activities of \$49,153 for the three month period ended May 31, 2024 (May 31, 2023 – cash used of \$23,245), had a deficit of \$10,277,996 as at May 31, 2024 (February 29, 2024 - \$10,170,648) and had shareholders’ deficiency of \$162,131 (February 29, 2024 – \$100,052). These conditions reflect material uncertainties which cast significant doubt about the Company’s ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

Cash Flows

During the three month period ended May 31, 2024, cash increased by \$40,703 to \$196,428 (February 28, 2024 – \$155,725) due to \$49,153 cash provided by operating activities, \$6,900 cash used in investing, nil in financing activities, and \$1,550 used as a result of foreign exchange translation.

Liquidity and Capital Resources

The Company’s primary source of cash during Q1 FY 2024 was through operations. As noted in the Annual MD&A and previous Quarterly Highlights, the Company has a secondary source of funding option through convertible debentures, promissory notes, and equity financing. The Company’s outstanding loans and borrowings as at May 31, 2024 are fully repaid.

Related Party Transactions

During the three month period ended May 31, 2024, the Company incurred bookkeeping fees, office rental, and warehouse sorting costs to a company with a common office and director. Warehouse sorting is included in cost of sales in the amount of \$22,084 (May 31, 2023 - \$17,569). Bookkeeping fee and office rental are included in accounting and office expense \$3,054 (May 31, 2023 - \$3,600).

During the three month period ended May 31, 2024, the Company had the following transactions with shareholders, management and directors:

	Three Months Ended May 31,	
	2024	2023
Share-based compensation	\$ 46,819	\$ 90,358
Salaries and benefits	18,000	60,064
Consulting fees	28,193	16,167
	\$ 93,012	\$ 166,589

As at May 31, 2024, balances payable to the related parties noted above amounted to \$176,928 (May 31, 2023 - \$113,175) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm’s length transactions.

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As at May 31, 2024, balance receivable from a related party noted above amounted to \$28,127 (February 28, 2024- \$27,674) and are included in the account receivables.

Subsequent events

The Company evaluated subsequent events through July 30, 2024, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

Risk Factors

The Annual MD&A for the year ended February 29, 2024, dated June 20, 2024, and filed on SEDAR (www.sedar.com), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2023 fiscal year and to the date of this report.